

# BCB Reserves Discussion

August 24, 2012

# Purpose of Reserves

- **Address unexpected/unforeseen events**
- **Offset downturns in revenues**
- **Provides tax rate stability**
- **Enhances fiscal integrity & credit ratings**
- **Earmark funds for specific purposes**
- **Set-aside funds for future spending**

# Florida Reserve Statutory Guidance/Practices

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- **State of Florida** – budget stabilization reserve of between 5% and 10% of general revenue
- **County Governments** -- Statutory reserve cap not to exceed 10% of total budget
  - Implemented very differently across counties
  - Miami-Dade County: 7% of general fund budget
  - Broward County: 9.8% of total budget
  - Lee County: 3-5% of general fund
  - Collier County: 2.5% of general fund
  - City of Naples: 10% general fund emergency reserve

# Other Guidelines & Practices

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- **Gulf Coast States Budget Stabilization Funds:**
  - Louisiana 4%
  - Mississippi 7.5%
  - Alabama 10%
  - Texas 10%
- **Water Management Districts**
  - St. Johns: 5% of previous year revenue in ad valorem funds
  - Southwest: 16.7%, or 2 months of operating expenditures

# Other Guidelines & Practices

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- **Government Finance Officers Association**
  - Recommended practice of 5% - 15% of general fund revenues to address unexpected events
  - Or no less than one to two months of operating expenditures
- **Florida League of Cities report suggested having a reserve fund of about 17% of general fund budget**

# Guidelines & Practices Summary

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- **A level of reserves consistent with governmental practices in Florida appears to be in the range of 5%-17% of either total budget or its primary revenue source**
- **Setting reserve levels needs to consider factors such as:**
  - **Predictability of revenues**
  - **Volatility of expenditures**
  - **Potential exposure to disasters, capital needs, or other one-time expenditures**



# SFWMD Emergency Reserves

- **Set by Governing Board policy @ \$60M**
- **\$50M for emergency response/\$10M for structural emergencies**
- **Use limited to:**
  - **Declared state of emergency by Governor or President**
    - **Hurricane/disaster response**
  - **Operations/Fuel Wet Season Needs beyond trend**
  - **Unexpected/unforeseen expenditure need that cannot be addressed within existing budgets during the FY**
  - **Structural emergencies that need immediate attention and cannot wait for next fiscal year**

# SFWMD Emergency Reserves

- If funds are utilized, it shall be a priority to replenish the fund within 3 years
- **\$50M for emergency response**
  - 8.8% of FY13 proposed budget of \$568.1M
  - Level based on experience, not hypothetical
  - As an emergency response agency, maintaining reserves is critical to the taxpayers we serve
  - In a tight revenue environment, reserves must be spent judiciously since they are one-time funds
- **BCB portion of reserve is \$760,400**
  - 6.5% of FY13 proposed budget of \$11.6M